

# Brooks Lodden P.C.

*certified public accountants*

Telford A. Lodden, CPA, CFP®, CVA, Shareholder

Bruce W. Hartley, CPA, Shareholder

John E. Lamale, CPA, Shareholder

Brent L. Alexander, CPA, Shareholder

To the Board of Directors  
Iowa Association of School Boards  
Des Moines, Iowa

We have audited the consolidated financial statements of the Iowa Association of School Boards (the Organization) for the year ended June 30, 2009, and have issued our report thereon dated July 8, 2010. Professional standards require that we provide you with information about our responsibilities under generally accepted accounting standards and *Government Auditing Standards* and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated March 27, 2009. Professional standards also require that we communicate to you the following information related to our audit.

## **Significant Audit Findings**

### ***Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Iowa Association of School Boards are described in Note 1 to the financial statements. As described in Note 11, the Organization adopted authoritative guidance by FASB regarding fair value measurements which requires the classification of the fair value measurement of its assets and liabilities within one of three levels of inputs under the fair value hierarchy along with various related disclosures. Also, the Organization changed policies for recording compensated balances for the year ended June 30, 2009. The application of other existing policies was not changed during the year ended June 30, 2009. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were management's estimate of the interest rate swap liability (based on market rates) and the pension plan liability (based upon certain actuarial assumptions pertaining to interest rates, inflation rates and employee demographics), all of which are subject to change.

### ***Difficulties Encountered in Performing the Audit***

On September 17, 2009, the Director of Finance was terminated and we were instructed by Kevin Schick (via voicemail), acting CFO, that personnel changes had taken place and that no one would be able to assist us in completing the audit. On October 27, 2009, Brooks Lodden, P.C. (BLPC) returned to the Organization's office to attempt to complete the audit. At this time, the remaining information was not ready for us to complete the audit. BLPC then pulled off of the audit and made several requests by phone, e-mail and written correspondence regarding the status of the outstanding information needed to complete the audit. A considerable amount of time elapsed before we were provided the additional information needed to complete the audit. Management also did not disclose pertinent information to us that would require financial statement disclosure which could have had a material affect on the financial statements. Due to the delay in previous management not providing information to us, their lack of disclosure, additional audit procedures required, and communications with various regulatory agencies, we were unable to timely submit the audit to the Board.

### ***Corrected and Uncorrected Misstatements***

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Significant adjustments were made to apply a valuation allowance to the deferred tax asset, to write off discontinued software, to record compensated balances, to record related party receivables and payables, and to write off uncollectible receivables. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

### ***Disagreements with Management***

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. No such disagreements arose during the course of our audit.

### ***Management Representations***

We have requested certain representations from management that are included in the management representation letter dated July 8, 2010; however, we were unable to obtain written representations from certain members of management responsible for financial activities of the Organization from July 1, 2008 through July 8, 2010, which took place under substantially different management. SAS No. 85 at AU 333 requires auditors to obtain certain written representations from the Organization as part of an audit conducted in accordance with generally accepted auditing standards. As a result of not receiving these required representations from management, we are precluded from issuing an unqualified opinion on the financial statements; therefore, we have issued a qualified opinion on the June 30, 2009 financial statements.

### ***Management Consultations with Other Independent Accountants***

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### ***Other Audit Findings or Issues***

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention. See internal control report dated July 8, 2010 for other audit findings or issues noted during the audit.

This information is intended solely for the use of the Board of Directors and management of Iowa Association of School Boards and is not intended to be and should not be used by anyone other than these specified parties.

*Brooks Zulu, P.C.*

IOWA ASSOCIATION OF SCHOOL BOARDS

CONSOLIDATED SUMMARY OF AUDIT DIFFERENCES

Year Ended June 30, 2009

	<u>Current Year Over (Under) Statement</u>
<b>Statement of activities misstatements:</b>	
Federal grant income	<u>\$      10,544</u>
<b>Cumulative effect (before effect of prior year differences)</b>	<u>\$      10,544</u>
<b>Effect of unadjusted audit differences - prior year</b>	
Vacation accrual	<u>\$    (47,461)</u>
<b>Cumulative effect (after effect of prior year differences)</b>	<u><u>\$    (36,917)</u></u>
 <b>Statement of financial position audit differences:</b>	
Current liabilities	<u><u>\$    (10,544)</u></u>
Total liabilities	<u><u>\$    (10,544)</u></u>
 Net assets:	
Beginning	<u><u>\$      47,461</u></u>
 Ending	<u><u>\$      10,544</u></u>